4722-2

CableVision

THE NEWS AND FEATURES WEEKLY OF THE CABLE TELEVISION INDUSTRY

MEESE COMMISSION BACKING AWAY FROM CABLE HARDLINE

TCI'S MALONE PUSHING FOR POOLED CABLE PROGRAMMING EFFORT

VIACOM/SHOWTIME IN MAJOR EXCLUSIVITY DEAL WITH CANNON

PRO FOOTBALL SEEN LIKELY FOR CABLE OUTLET IN '87

THE BATTLE OF THE BULLS: BROKER TALLIES UP IN '85

CV 0002608227 01
EDITOR ACQUISITIONS SR1
4520 EAST WEST HWY
BETHESDA MD
20814

CableVision

LEADING THE WEEK

Commission backs off 6
Members of the Commission on Pornography are apparently backing away from a staff recommendation of a federal indecency standard for cable television.

Programming call 6
TCI's John Malone is telling his MSO colleagues that the time has come for cable to commit itself to the production of first-run, cable-only programming to rival the broadcast networks.

Service packager 11
Two players in the TVRO and SMATV markets have joined together to organize a package of scrambled cable services to the backyard dish market.

Viacom/Cannon pact 12
Viacom, the parent company of Showtime/The Movie Channel, and Cannon Films have reached a long-term exclusive rights deal encompassing current and future films as well as world syndication through 1989 and beyond.

Comic Relief 14
HBO's cablecast of *Comic Relief* has generated $2.5 million so far for the nation's poor and homeless. Officials plan now to count how many viewers watched the show.

Licensing deals 14
EventTeleVision has concluded pay-per-view licensing deals with five film studios and anticipates signing two more.

Viewership up 16
Turner Broadcasting officials say WTBS and Headline News in February scored their highest 24-hour household viewership averages ever.

Turner finances 16
Turner Broadcasting's net income fell 88 percent because of the company's failed attempt to take over CBS. However, operating income showed a healthy gain.

Cable Act appeal 18
Officials of Montgomery County, Md., have asked the U.S. Courtof Appeals to review an interpretation of the franchise modification provisions if the 1984 Cable Act.

New service growing 20
The A.C. Nielsen Co. says its new service that allows system operators to compare the local performance of cable networks with national numbers is gaining popularity.

Sports panel 22
Three cable executives predict that because of climbing rights costs, the broadcast networks will allow cable programmers to grab a piece of the NFL game coverage.

TOPICS

Programming 26
The success of a statewide public affairs program in North Carolina may bring about a coalition of state governments interested in leasing a satellite transponder for shared use.

Marketing 28
The Arts & Entertainment Network signaled an expansion of its grass-roots Community Marketing program that company officials say helps the public realize cable's value. Also in marketing, Cableview Publications is joining a growing field of firms selling promotional videos to operators, specifically targeting I-O channels.

Business 42
The holder of the franchise to wire the nation's capital reported that it has secured $45 million to begin building that city's system.

43
The strength of the takeover market for intermediate and large size cable sytems was again signaled by recent acquisitions of operations in Nevada, Alaska and Washington.

Departments

People 48
Events 49
Products 50
Classifieds 53
Advertiser's Index 54
Cable Stats 56
Parting Words 58

Cover Story 32
Fueled by declining interest rates and a high demand, brokers who handled cable properties in 1985 produced the largest annual system sales volume in the industry's history. The bullish atmosphere is expected to continue through 1986, when several blockbuster deals, like the $1.75 billion Group W acquisition, are scheduled to close.

Annual systems transaction roundup

Brokers on a roll from '85; expect '86 to be better yet

By Virginia Munger Kahn

Closings or blockbuster deals along with declining interest rates and continuing high demand for properties make it a cinch that 1985's bubbling cable market will boil over in 1986, producing the largest annual system sales volume in the industry's history.

The granddaddy deal of them all—the MSO consortium's acquisition of Group W Cable for $1.75 billion—is scheduled to close June 30, and two other major deals—the Washington Post's $350-million acquisition of Capital Cities Cable and Jones Intercable's $237-million deal for nine Tribune systems—will be credited against 1986 accounts, even though they were first announced in 1985.

But the cable system market's strength is not simply a function of major deals announced last year. In 1985 the depth and breadth of the buying and selling activity translated into record performances for many cable brokerage houses. And all are predicting 1986 will be even better.

Interest high

"In the nine years I've been in business, I've never seen this kind of interest" on the part of buyers, said Pat Thompson, president of the brokerage firm that bears her name. "Nineteen eighty-six will be an absolutely wonderful year," she said, noting that by the end of April her company will have closed eight deals compared to 11 for all of 1985.

As Rick Michaels, chairman of Communications Equity Associates, put it, all the "sweat and activity" took place in 1985, but the deals won't close and the brokers won't get their commissions until 1986.

The business claimed by Communications Equity Associates last year was $534.7 million in system transactions, as against the $518.4 million claimed by Daniels & Associates, traditionally the top ranked broker.

The most important piece of business for CEA was its involvement in the $230-million trade between Times Mirror and Storer Communications in which it represented both parties. "That was the first really large deal" CEA has done, Michaels noted, and it was impor-

	Year	Brokerage System Sales (in millions)	Number of Deals	Debt of Equity Placement (in millions)
Communications Equity Associates	84	$ 256.3	39	$ 86.4
	85	534.7	35 (14%)	129.2
Daniels & Associates	84	561.2	43	192.0
	85	518.4	41 (17%)	47.5
Cable Investments Inc.	84	34.5	10	15.0
	85	92.2	6 (2%)	29.8
Waller Capital	84	50.0	5	10.0
	85	51.7	8 (3%)	N/A
Pat Thompson Co.	84	14.0	10	—
	85	N/A	11 (4%)	—
Charles Greene Associates	84	11.4	8	1.5
	85	14.7	11 (4%)	4
No Broker	85	N/A	113 (46%)	—
Others	85		20 (8%)	—
TOTAL			245	

tant for establishing the credibility of the company's current team of brokers.

All told in 1985 the company completed 35 transactions involving more than half a million subscribers. The deals had an average value of $1,063 per subscriber, according to data provided by the company.

For Daniels & Associates, its biggest deals are still waiting to close—the Tribune/Jones Intercable transaction and the sale of International Cable in Buffalo, with its 126,000 subscribers, to Adelphia Communications. "We had a number of good-sized transactions where we did the work in 1985 and will see the rewards in 1986," said Daniels Senior Vice President Phil Hogue.

Nevertheless, the company closed 41 transactions last year at a total value of $518.4 million. More than 531,000 subscribers changed hands in those transactions, and, on a weighted basis, prices per subscriber were $1,050. Daniels and CEA dominated the brokerage business, doing more than $1-billion worth of cable transactions.

Big benefits

The second tier of brokerage companies also benefited handsomely from last year's active market, with the majority turning in record performances. Cable Investments Inc. saw record activity in 1985, closing six deals valued at $92.2 million with another $29.8 million in financing activity. These transactions represented a better than 150 percent and 98 percent increase, respectively, in cable brokerage and financing business for the company. More than 54,000 subscribers changed hands in Cable Investments' transactions at an average value of $1,110 per subscriber. A large chunk of that company's activity was provided by the Heritage Communications' deal for a minority interest in Diversified Communications.

Waller Capital did more than $51 million in brokerage activity in 1985 on nine deals involving more than 61,000 subscribers. The value of those transactions on a per subscriber basis was $839. Waller's largest deal last year was the sale of Cox Cable's systems in Lewiston and Tyrone, Penn. to Susquehanna Broadcasting.

Charles Greene Associates, also, had its best year last year, closing 11 transactions valued at $14.7 million. The company did $4 million in financing activity. These deals represented 29 percent and 166 percent increases in those

This Announcement Appears As a Matter of Record Only.

February 1986

SOLD

Manchester
Cable TV, Inc.

**Serving the City of Manchester
and County of Coffee, Tennessee**

The Undersigned Represented the Seller.

Cable Investments, Inc.
8400 East Prentice Avenue, Suite 1115
Englewood, Colorado 80111
(303) 793-3344

This Announcement Appears As a Matter of Record Only.

February 1986

$3,400,000

TBA, INC.

**Senior Secured Notes for the Leveraged
Buyout of the Cable Television Company
Serving the City of East Cleveland, Ohio**

The Undersigned Arranged for the Placement of These Notes.

Cable Investments, Inc.
8400 East Prentice Avenue, Suite 1115
Englewood, Colorado 80111
(303) 793-3344

Communications Equity Associates

System Location	Buyer	Seller	Basic Subs	Homes Passed
Port Richey & W. Pasco, FL	Gulfstream Cablevision of Pasco Cty.	Storer Communications	25,000	54,000
W. Pasco Cty., FL	Atlantic American Cablevision of Florida	Acton CATV Inc.	2,460	23,000
Leon County, FL	Group W Cable	Gateway Cablevision Corp.	2,000	4,900
Black River Falls, WI	Marcus Comm. Inc.	River Country Cablevision Inc.	911	1,500
Woodsfield, Ohio	Cable Systems USA Assoc.	Woodsfield Cable Co.	2,100	2,300
King of Prussia, PA	Suburban Cable TV Co. Inc.	Central Bucks Cable Assoc.	9,000	19,000
Sublette, Satanta, Plains, KS	Cable Systems Inc.	Sublette Community TV	N/A	N/A
Cameron, Tx	Star Cable TV Inc.	Western Cable Inc.	1,932	3,600
Lee County, FL	Cablevision Industries	Almar Comm. & Television Inc.	400	400
Chelmsford, CA	Northland Comm.	Stiff Val Cablevision Inc.	2,925	5,685
Bonifay, Vernon, FL	Fixel Group	Panhandle Cablevision Inc.	700	1,350
Galax, VA	Cable Entertainment Inc.	American Cablesystems of VA	4,150	6,078
Romeoville, IL	American Cablesystems Midwest Ltd. Partnership	Joslyn Cable Inc.	25,400	39,200
Pennsylvania & Ohio	Cable Systems USA Assoc.	TCI Media of Andover & Addis	2,360	3,360
Phoenix, Mesa, Paradise Valley, AZ; Orange County, CA; Louisville, KY; Tacoma, WA; Jacksonville, AR; Point Pleasant, NJ	Trader Times Mirror	Trader Home Communications	205,300	446,000
Hartford, CT	United Cable Television Corp.	Hartford Cable Cablevision Inc.	60,800	111,562
Rockingham/Laurinburg, NC	Wometco Cable TV Inc.	Cable Specialties Inc.	900	1,450
Somerset, KY	Central Cable Television Co. Inc.	Mountain Cable TV Inc.	1,200	5,750
Long Beach, CA	Jerrold Comm. Inc.	Long Beach Cablevision	16,000	155,000
Cheektowaga/Tonawanda, Tx	Paragon Comm.	Cumberland Valley Cable Co. Inc.	2,100	2,400
Jamestown, Arbrat, Pa.	Paragon Comm.	Cumberland Valley Cable Co. Inc.	1,600	1,800
Lutesville, MO	Cable Ventures Inc.	Twin Cities Cable TV	1,450	1,800
Marion County, FL	Cablevision Industries	Cable TV Corp. (CATV of Marion County)	1,700	2,000
Troy, AL	Tele-Media Co. of the Tri-State	Sunbelt Cablevision	2,400	3,450
Coquille/Bandon, OR	Taylor Communications	Group W Cable	1,074	4,234
Boyd/Greenup County, KY	Armstrong Utilities Inc.	TCI Media of Greenup & Boyd Valley	3,400	9,000
Dorner, CA	Service Electric Cable of Indiana (SCI Holdings)	Wometco Television Corp.	2,500	3,000
Mechanicsburg, PA	Jerrold Comm. of Pennsylvania Inc.	TCI Group W Inc.	13,262	21,124
Fairmont/Clarksburg, WV	Wometco	Group W Cable	24,400	27,500
Williston, FL	Midvision Media	Gulfstream Cablevision	734	1,100
Baker, OR	TKR Cable Comm. Inc.	Group W Cable	1,854	10,800
Ware Shoals/McCormick, SC	Fort Caroline Cable Fund XII	Ware Shoals Cablevision	1,150	2,100
Russellville, KY	Tele-Media Company of Logan County	Cablevision of Russellville	2,400	3,900
Frankfort	American Cable Midwest	All American Cable Communications Inc.	3,438	8,855
IN/WV/VA	Tele-Scripps	American Cablesystems Corp.	31,000	58,000

Daniels Cable System

System Location	Buyer	Seller	Basic Subs	Homes Passed
Collinsville, CA	TW Cable Assoc.	TW Cable of CA	27,000	52,900
Union City, Savannah, Milan, Lexington, Henderson, TN	Fixel Group	Group W	11,040	14,700
Greensburg, PA	Marcus	Horizon Comm.	19,500	31,300
Hancock, MD; Mc Connellsburg, PA; Smithburg, Bonnieboro, Ft. Rickie, MA	Cable Management	Daniels Elec.	5,900	8,500
Hidalgo, Weslaco, La Joya, Alton, Lopezville, TX	Heritage	Mercury	3,620	7,360
Mayport Naval, FL	Continental	Mercury Telecom	713	1,189

two areas of business. The number of subscribers involved in those transactions was 15,155.

Greene pleaded on behalf of other brokers his size that his company's activity should not be judged on the basis of its monetary value but on the number of transactions that were closed. He said as a broker to smaller cable system sales, he spends more time doing more work on the sales than a broker might spend on a larger deal. "I wish there were some way we could get some credit for doing these deals," he said.

Finally, 1985 saw the entry of Wall Street investment banking firms into the system sales and acquisitions market. Most significantly, Henry Ansbacher, a leading mergers and acquisitions firm specializing in media properties, put together its own cable brokerage unit. The company appointed Charles Martz, the former president of Jones Intercable's acquisitions group, to head the new cable unit.

The company closed one cable brokerage deal last year—Heritage Communications' acquisition of a 50 percent interest in Gill Industries. But, by the end of June 1986, according to Martz, the company anticipates it will have completed another $200 million in cable deals, if that level of activity is maintained throughout the rest of the year, it will put Ansbacher in the big leagues with Daniels and CEA, all within its first two years of operation.

"It shows that there's plenty of room for competition," said Martz, noting that while the cable unit may be new to the business, Martz himself was involved in more than $300-million worth of transactions for Jones in the eight years he was with Jones.

The reasons behind last year's record performances by cable brokers and, more fundamentally, the record market for cable system sales, are by now well known—low interest rates, the easy availability of financing and continued high demand for properties. The intense competition for systems led, naturally, to record high prices.

Prices steep

Both Greene and Hogue noted that price increases for intermediate to larger systems were particularly steep in 1985 compared to 1984 as the demand for these size systems increased and supply failed to keep up.

Greene postulated that, in general, over the past 18 months, multiples have risen about 10 percent from a range of

'In the nine years I've been in business, I've never seen this kind of interest.'

—Pat Thompson

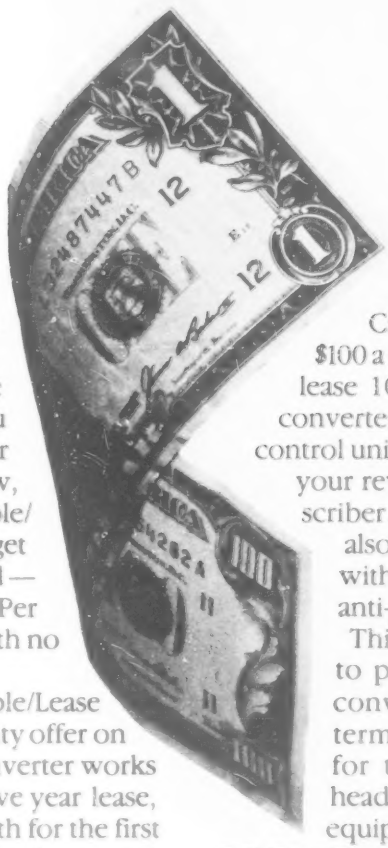
seven to 10 times projected first year cash flow to eight to 11 times. "Cable systems are just like radio and TV stations," he said. "There's a limited supply," and the multiples reflect that fact.

On the other end of the scale, brokers said they believed prices for smaller facilities might have already plateaued.

Andy Eismann, senior vice president at Cable Investments Inc., noted that despite the extremely high prices for systems, "there seem to be a tremendous number of deals out there." However, this large demand may be leading some brokers into unscrupulous practices. Eismann contended that some are telling their clients their properties are worth tremendous amounts of money when no responsible buyer would be willing to pay that price.

Yet, Eismann admitted that even deals he would consider marginal are attracting a great deal of interest. One system in the South, for example, was priced at 12.5 times projected 1986 cash flow, which was projected to increase *50 percent* over actual 1985 cash flow. While the pricing on the deal was extremely

ADDRESSABILITY FOR $1.00 A MONTH



Why pay $100 up front for a single addressable converter and remote control when you can lease both for $1 a month? Now, with Phoenix Cable/Lease, you can get into — or expand — a profitable Pay Per View business with no money down.

The Phoenix Cable/Lease 1-2-3 Addressability offer on a typical $100 converter works like this: over a five year lease, you pay $1 a month for the first year, $2 a month for the second year and $3 a month for the remaining 3 years.

With Phoenix Cable/Lease, for $100 a month you can lease 100 addressable converters and remote control units, and increase your revenue per subscriber. Addressability also provides you with operating and anti-piracy benefits.

This offer applies to practically any converter. Similiar terms are available for the associated head end computer equipment.

Call **Ron Demer** at Phoenix today, **(404) 872-2406.** It's as easy as $1, $2, $3.

PHOENIX CABLE/LEASE

We Stand Alone In Cable Leasing

A division of Phoenix Leasing Incorporated
100 Colony Square, Atlanta, GA 30361, (404) 872-2406

Kansas City, Avondale, Claycomo Vil., Glenaire Vil. Houston Lake, Liberty, Mission Hill, Mission Wood, N. Kansas City, Northmore, Pleasant Val., MO	ATC	Stockhold	33,500	170,250
Wateska, Ill.	Community Cable	IL Cable Prop.	2,600	2,980
Ann Arbor, MI	Columbia Int.	Daniels-Sarythe	16,000	42,000
Elsville, MS	Comcast	Dailey-Maher	1,600	2,445
Lyman, WY	Televents	Cablewest	4,000	4,250
Sandra, CA	Daniels	Viacom	7,900	11,200
Winsted, CT	N/A	J. Ducci	3,900	5,400
7 States	Rifkin & Assoc.	Omni Cable	58,000	110,000
Dallas, TX	Heritage	Amex	80,830	365,000
Columbus, OH	Telemedia	W. Johnson	10,300	24,500
Whatcom-Whidbey, WA	TCI	McCaw	10,000	17,490
Hickon AFB, HI	Boulder Ridge	Clearview	1,400	3,100
Hartsville, Darlington, SC	Century Comm.	H. Campbell	6,050	7,500
Queens, NY	Pay TV of NY	Group W	23,402	N/A
Los Angeles, CA	Daniels & Assoc.	Acton Corp.	14,000	51,000
Brooklyn Park, MN	Hauser Comm.	Storer Comm.	32,000	70,000
Trinity, CA	Cox Cable	Trinity Systems	700	1,900
Maui, Hawaii Island, HI	McCaw Comm.	Maui Camp. Cable	10,325	17,302
Tyler, TX	Northlands Comm.	MCT	3,100	5,636
Tyler, TX	Northlands Comm.	Trans Tex Video	4,000	7,574
Hawaii	McCaw Comm.	Group W Kaiser	7,472	8,226
Bernalillo, NM	Tribune	Mercure Telecom	6,845	18,500
Chincoteague, VA	N/A	Greer (*1)	4,000	N/A
St. Louis, MO	Cencom	Group W	22,000	49,050
Palatka, FL	Cablevision Ind.	Southland	6,300	11,000
Tuskegee, AK	Sammons	Barry & Enright	2,198	3,600
Chicago, IL	N/A	Group W	9,707	N/A
Hinesville, GA	Daniels	Bryant	7,433	10,031
Austin, TX	ATC	Austin Satellite	3,000	12,100
Allegan, MI	Michigan Gas	G Nichols	4,339	8,150
Various	P. Smith & Co.	Midland Cablevision	5,320	8,000
Portales, Liberal, Lovington, Silver City, Trinidad, Tucumcari, NM	Century Comm.	Group W	21,000	27,074†
Atchison, KS	Leonard Comm.	CSI	2,170	4,375
Sullivan, NY	Simmons	Cable TV Sys.	2,900	4,000
Various	SSS	Donate	12,000	14,000

Cable Investments Inc.

System Location	Buyer	Seller	Basic Subs	Homes Passed
Portland, TX	Countryside Cable	Prime Cable	3,100	4,571
Covington, Brownsville, Bolivar, TN	Enstar Comm.	TCI	3,204	7,941
MSO	Heritage Comm.	Diversified Comm.	40,000	58,000
Avis, PA	Gardner Comm.	Charles TV Cable	6,400	6,900
Lockney, TX	Cablevision of Texas	FANNF Corp. Mid-Way Cable	1,400	3,585
Mayaguez, Puerto Rico	Mayaguez Cable TV L.P.	Interamerican Comm. Corp.	0	24,000

Waller Capital Corporation

System Location	Buyer	Seller	Basic Subs	Homes Passed
Corbin, KY	High Industries	Southern Cable Corp.	5,400	6,500
Whitewright, Van Alstyne, Savoy, Bells, Howe, Tom Beam, & Trenton, TX	Northland Cable Properties Four Limited Partnership	Video Vision Inc.	2,200	3,800
Ottawa, Columbus Grove & Glandorf, OH	Centel Cable Co. of OH	Putnam TV Cable Inc.	2,500	2,600
Bowling Green, Ohio	Three Sixty Corp.	Wood Television Corp.	5,000	9,200
Elkins, WV	Cablentertainment of West Virginia VII	Tygart Valley Corp.	5,200	5,500
Staunton, VA	Multi-Channel TV Cable Co. of Mansfield	Staunton Video Corp.	9,500	10,000
Rainelle, WV	Consolidated Comm. Group Inc.	Rainelle Television	1,300	1,350
Sharon, PA	Century Comm. Corp.	Shenango Cable TV Inc. & Variety Cable TV Inc.	14,600	26,000
Lewiston, Lock Haven, Tyrone, PA	Susquehanna Broad. Co.	Cox Cable Comm. Inc.	15,900	16,800

"aggressive," at least six responsible buyers came in saying they could do the deal, said Eismann.

"I continue to see the same players; this is not the greater fool theory at work," he said. "These are knowledgeable poeple who feel they can look three to five years out" and see a reasonable rate of return on their investment.

The influx of buyers into the market has resulted in at least one trend viewed less than favorably by most cable brokers. That is, more and more buyers are engaging brokers' services. According to Greene, the company last year worked on more acquisitions than it had in any previous year and while none of the deals closed in 1985 were buyer-initiated, at least two such deals have closed already in 1986, and Greene is working on another five or six similar transactions.

Risky deals

Brokers note that such engagements are far more risky than working for sellers. For in working for sellers, brokers are guaranteed a reward if they do their job right and the system is sold. When buyers enlist the assistance of brokers, even if they do their job right, they are competing with other buyers and brokers on any single deal, and despite having spent a great deal of time working on a proposed transaction and putting together a good bid, they may lose the bid and any promise of remuneration.

Nevertheless, with more and more buyers in the field and with those individuals and their companies busy running their day-to-day operations, brokers are increasingly finding themselves in demand for acquisition-minded hunters.

The hot market in cable properties has also probably increased the number of transactions where sellers do not employ brokers. Daniels' executive Hogue noted the perception is there on the part of sellers that because the market is so active, there is no need for a broker. This perception is reinforced if the seller has been approached by interested buyers.

According to data compiled by Daniels & Associates, almost half of all the transactions completed in 1985 did not involved a broker. Hogue noted that the trend has held fairly steady for a number of years and that the data point to tremendous opportunities for brokers.

According to the data, which were gathered through industry sources and analyzed by Daniels staff assistant Mar-

'We had a number of good-sized transactions where we did the work in 1985 and will see the rewards in 1986.'

—Phil Hogue

ianne Powell, in systems of under 5,000 subscribers, 53 percent of all transactions were not brokered. In systems of 5,001 to 10,000 subscribers that percentage fell to 43 percent and held in that range for systems up to 50,000 subscribers. Beyond that level, only one of last year's major deals did not involve a broker—the KKR/Storer deal and, as Hogue noted, that transaction is considered a leveraged buyout of the company management and KKR.

Unbrokered sales

Hogue noted that unbrokered system sales were fairly evenly distributed among system sizes, although the smaller systems pulled a little more weight than the intermediate and larger systems. As a result, Hogue noted, Daniels has formed a small systems sales division with two people dedicated solely to serving the 2,000-subscriber-and-under cable system market.

On a regional basis, the Midwest and West may present the most opportunity

Narragansett Capital Corporation
Providence,
Rhode Island

and

Rifkin & Associates, Inc.
Denver,
Colorado

have formed and
arranged financing for

Rifkin Cablevision of Tennessee, Ltd.

to acquire cable television
systems serving 10,000 subscribers in
Pulaski, Fayetteville and
Lawrenceburg, Tennessee

Narragansett Capital Corporation
40 Westminster Street, Providence, RI 02903

April 7, 1986

UNIVERSAL CABLE COMMUNICATIONS, INC.

has purchased the stock of

UCC, INC.

Serving the communities of
Lincoln, Lindsborg and Smith Center, Kansas.

The undersigned is pleased to have sponsored the formation of the acquiring company and to have assisted in this acquisition.

COMMUNICATIONS PARTNERS, LTD

Dallas, Texas
214/651-9180

'It shows that there's plenty of room for competition.'

—Charles Martz

for brokers, with 55 and 54 percent of all deals, respectively, not brokered in those areas. In the Northeast, that level fell to 46 percent, and in the Southeast 36 percent of all deals were unbrokered.

The number of unbrokered deals in the cable industry has historically been high, and in the last five years, in particular, the seller's market has reinforced this trend, said Charlie Greene. "Most people think, 'who needs a broker?' " in this environment, he said.

But Hogue and Greene argued the virtues of hiring a broker even in this hot market, noting that they bring interested parties to the seller who otherwise might not have been known about and thus enable the seller to maximize price.

While Greene said he believed the amount of unbrokered activity in the industry is similar to other industries, he predicted the percentage in cable is likely to "creep up" because of the large number of buyers out shopping for systems. "But, more buyers are then looking for brokers, and what brokers lose in representing sellers, they can make up in representing buyers," he said.

John Waller, president of Waller Capital, views those unbrokered deals as fertile ground for sowing the seeds of his assault on the "Big Two" cable brokerage houses. Waller estimated that last year's value of unbrokered deals reached $1.5 billion out of the total $6 billion to $7 billion transactions market. "There's plenty of room for more brokered deals," said Waller. "It's not a factor of size, but a factor of brokers doing their homework and convincing people that their services are needed." Even if the market shrinks next year to $4 billion to $6 billion, he said, "there's still room for us all" at the top.

As is the case with most brokers, Waller sees 1986 activity at least as strong as 1985, with records for him and many other brokerage companies likely. Not only will the intense level of activity in 1985 carry over into this year's closings, but the conditions that heated the 1985 market are still present and are projected to continue for at least the first six months of the year—continuing low interest rates, the easy availability of financing, and more buyers in the market than sellers.

However, several brokers predicted that the record high prices will shake loose an increasing number of systems, particularly from independent operators, and by the last quarter of the year, that influx of properties combined with expected upward pressure on interest rates could slow or halt the steep escalation in prices.

Bright future

On an individual basis, 1986 promises a bright future for many of the companies involved in the business. Waller said he has exclusive rights to sell $80-million worth of properties already, plus he has another $100 million under contract. "Nineteen eighty-six should be a $150- to $200-million year" for us, he said, noting he intends to add another two brokers to his staff this year.

Waller credits his success to being located in New York and his company's ability to plug itself into Wall Street financial circles.

As Ansbacher's success indicates, brokerage companies are increasingly placing emphasis on their ability to provide financial services to their clients. Waller, CEA and Ansbacher all stress their investment banking activities, and Daniels is expected to make a major announcement along these lines over the next few weeks.

This trend is likely to pick up strength. Cable company stocks have experienced a runup in prices over the past year, making public financing an increasingly important component for the business. Again, companies with ties to the financial community on Wall Street will benefit the most from this development.

Daniels & Associates also reports that 1986 will be a record year, not only because of transactions begun in 1985—the Tribune/Jones deal and the International Cable/Adelphia deal—but also because its inventory of listing agreements or good prospects is "as strong as it has been in the last couple of years," showing in excess of 50 such listings going into 1986, said Hogue.

While no one is predicting another behemoth deal like Group W, most brokers see a continued stream of larger transactions onto the market. "The types of systems will be basically the same as in 1985," said CEA's Michaels, with one or two large deals, a few medium-sized transactions of 50,000 to 150,000 subscribers, and then a substantial amount of activity below that level.

Daniels' Hogue said his company "sees a fair amount of prospective activity in the several hundred million dollar range." While several brokers said they expected strong activity out of the top 100 MSOs, Michaels said he did not expect MSOs to be major sellers in 1986, with a few exceptions.

Big deals

Those companies most often talked about as the potentially big deals of 1986 or 1987 include Wometco and United Artists Communications. Brokers note that KKR informally put the Wometco systems, with their 308,000 subscribers, on the market about nine months ago. That was before the company did the Storer leveraged buyout, and, with the cross-ownership issues revised by the Storer acquisition, at least some of KKR's properties are likely to be sold off.

United Artists, with more than 711,000 subscribers, is another big sale possibility having bought out its partner

General Electric Corp. in 1985 and then hiring and firing an investment banking firm last year in what was largely seen as the beginning of an effort to restructure the company. Little has been heard from UA since then, but brokers and industry analysts continue to speculate on an eventual sale of the cable properties.

Storer is expected to continue to lay off subscribers. While KKR is an extremely well-financed company, it took on more than $2.48 million in debt to take Storer private and assets sales are considered an inevitable accompaniment to the LBO. Sources indicate the company may be ready to put systems representing between 100,000 and 125,000 subscribers on the market this summer.

Warner Communications is also considered a potential seller of cable assets. As one broker noted, the cable division is currently sailing with "no captain" at the helm, and while it is performing far better than it has in the past, other divisions in the company continue to outperform the cable unit.

Times Mirror is also thought to be a possible seller of systems, although sources close to the company say it will not sell any major systems in 1986 and that it is currently far more interested in trading systems than selling them.

Real excitement may come back into the market, however, if, as CEA's Michaels predicted, "some of the larger players exit (the business) in the next 24 months. That'll be one of the more interesting things to watch."

Some prices flat

In the under 2,500-subscriber market, prices are expected to be flat in 1986, but according to Michaels, those prices are still high considering the multiples of

Pat Thompson Company

System Location	Buyer	Seller	Basic Subs	Homes Passed
[illegible]	[illegible]	[illegible]	725	1,230
[illegible]	[illegible]	[illegible]	568	850
[illegible]	[illegible]	[illegible]	1,300	1,700
[illegible]	[illegible]	[illegible]	575	950
[illegible]	[illegible]	[illegible]	572	864
[illegible]	[illegible]	[illegible]	512	1,100
[illegible]	[illegible]	[illegible]	1,150	1,400
[illegible]	[illegible]	[illegible]	1,429	2,600
[illegible]	[illegible]	[illegible]	429	900
[illegible]	[illegible]	[illegible]	1,765	2,885
[illegible]	[illegible]	[illegible]	1,870	3,120

Charles Greene Associates

System Location	Buyer	Seller	Basic Subs	Homes Passed
[illegible]	[illegible]	[illegible]	992	1,227
[illegible]	[illegible]	[illegible]	151	1,250
[illegible]	[illegible]	[illegible]	1,308	2,544
[illegible]	[illegible]	[illegible]	4,300	6,510
[illegible]	[illegible]	[illegible]	720	1,082
[illegible]	[illegible]	[illegible]	358	490
[illegible]	[illegible]	[illegible]	200	298
[illegible]	[illegible]	[illegible]	745	979
[illegible]	[illegible]	[illegible]	681	891
[illegible]	[illegible]	[illegible]	2,230	2,831
[illegible]	[illegible]	[illegible]	320	350

'Cable systems are just like radio and TV stations. There's a limited supply.'

—Charles Green

'I continue to see the same players; this is not the greater fool theory at work.'

—Andy Eismann

cash flow and growth prospects for those markets.

John Waller sees a slightly different scenario developing over the next year. While he does not believe the dollar volume will be as large in 1986 as it was in 1985, excluding the Group W deal, he sees more deals being done in the 10,000- to 50,000-subscriber range.

The factors behind this increased level of activity will be MSO spinoffs aimed at laying off debt taken on over the past year and an increasing number of properties from independent operators. "There are still a lot of them out there," said Waller. "I could retire just on that business alone."

As prices continue at their historic high levels, more independents are likely to move into the market to take advantage of this once-in-a-lifetime opportunity. Add in a fair number of maturing limited partnerships, and Waller said he foresees a time within the next six to nine months when the number of systems coming onto the market increases enough so that prices will "come into line" or at least "slow down in terms of their upward escalation." The next 18 months should be extremely active overall, he predicted, particularly "with money so cheap and so available."

Andy Eismann agreed with Waller that the number of properties coming on to the market in 1986 will continue unabated, with much of the activity comprised of medium and small system sales, including the spinoff of properties from MSOs. The Cable Investments broker said he does not foresee another situation in 1986 where whole companies are sold off as Tribune and Capital Cities both did in 1985.

Eismann sees continued pressure on prices, noting that the drive by many cable executives to set off on their own will provide not only a new source of buyers for the market, but buyers who are willing to pay top dollar in order to get into the game.

Charlie Greene, however, said he felt prices may be hitting a wall. "Markets tend to over-react" to circumstances, he said, noting that this market took off after the signing of the Cable Act in late 1984 and that that reaction is still being felt. But, while he noted that "we may have experienced a peak or spike in multiples," systems values will continue to rise as revenues and cash flows continue to grow.

"There's plenty of room for more brokered deals."

—John Waller

D.C. franchise holder acquires $45M financing

WASHINGTON—District Cablevision Limited Partnership, holder of the franchise to wire the nation's capital, told city officials last week that it has secured the $45 million in financing necessary to begin building the cable system. Construction on the build will begin by June 1, with the first subscribers "online right after Labor Day," according to District Cablevision President Robert Johnson.

DCLP is a joint venture of Tele-Communications Inc. and District Cablevision Inc., the original winner of the D.C. franchise. Under a modified franchise agreement which transfers the franchise to DCLP, TCI will control 75 percent of the venture, with DCI holding the remaining 25 percent. TCI has also agreed to provide the $45 million in financing to begin the build with the assumption that early system revenues will finance the remainder of the build. Local DCI shareholders have contributed an additional $1.8 million to the venture, Johnson said.

The D.C. city council, which ratified the modified franchise agreement last September, now must pass a resolution stating that DCLP has met the conditions of the modified franchise before construction can begin. That resolution, approved last week by the council's cable television committee, will be considered by the full council on April 15.

Under the agreement, TCI will handle management of the system. Gary Mizga, formerly with Rogers Cablesystems in Minneapolis, will become system manager, Johnson said.

—John Wolfe

Cable Industry Growth Chart

YEAR	TVHH	Homes Passed	Basic Subscribers	% of TVHH	Pay Subscribers	% of TVHH
[illegible]						
[illegible]						
[illegible]						

Top 100 MSOs

Rank	Multiple system operator	Basic subs

Top 100 systems

Rank	Location	Operator	Basic subs